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PUBLIC SERVICE COMMISSION OF WISCONSIN

Application of Wisconsin Power and Light Company for Approval of Credit Card and Late Payment Tariff Revisions 6680-TE-103

Application of Wisconsin Power and Light Company for Approval of Credit Card and Late Payment Tariff Revisions 6680-TG-108

FINAL DECISION

This is the Final Decision in the proceeding conducted by the Public Service Commission of Wisconsin (Commission) to consider the request of Wisconsin Power and Light Company (WP&L) for approval of Credit Card and Late Payment Tariff Revisions.

The application is APPROVED, subject to conditions.

Introduction

On August 7, 2018, Wisconsin Power and Light (WP&L) filed two applications requesting Commission approval to revise tariffs associated with credit card transaction fees and late payment fees for its electric and natural gas operations. ([PSC REF#: 348278](#) public, [PSC REF#: 348277](#) confidential; [PSC REF#: 348280](#) public, and [PSC REF#: 348279](#) confidential, respectively.)

On August 28, 2018, the Commission issued a Notice of Proceeding in each docket to consider WP&L's applications. ([PSC REF#: 349306](#) and [PSC REF#: 349307](#).) The notices instructed those persons desiring to become a party to file for intervention no later than 14 days from the date of service of the notices. The Citizens Utility Board (CUB) requested and was granted intervention in both dockets, and therefore is a party. ([PSC REF#: 348738](#) and [PSC REF#: 349364](#).)

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On September 18, 2018, Commission staff filed motions in each docket requesting that the Administrative Law Judge accept a stipulation between Commission staff, WP&L, and CUB as to the schedule and issues to be addressed in these dockets. ([PSC REF#: 350179](#) and [PSC REF#: 350180](#).) The Administrative Law Judge issued Scheduling Orders in the dockets on September 26, 2018, and September 28, 2018, which accepted the schedule and issues proposed in Commission staff's motions. ([PSC REF#: 350737](#) and [PSC REF#: 350900](#).)

On October 4, 2018, Commission staff issued identical memoranda in each docket analyzing the tariff change proposals and requested comments from the parties and public. ([PSC REF#: 351193](#) and [PSC REF#: 351194](#).) On October 18, 2018, and October 19, 2018, the Commission issued a Notice of Hearing in each docket. ([PSC REF#: 351889](#) and [PSC REF# 351930](#).)

On November 8, 2018, a public hearing was held in Madison, Wisconsin, for the parties to the proceeding and members of the general public. The Commission's public hearing process involved the opportunity to submit written comments through the Commission's website or at a public hearing, or to testify at the public hearing. The Commission received comments from WP&L, CUB, and several other utilities and organizations, which the Commission considered in making this decision.

The Commission considered this matter at its open meeting of November 29, 2018.

Findings of Fact

1. WP&L is an investor-owned electric and natural gas public utility as defined in Wis. Stat. § 196.01(5)(a), providing electric and natural gas service in south central and southwest Wisconsin.

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2. WP&L filed a request for authority to implement tariff revisions to credit card processing and late payment fees.
3. It is reasonable and in the public interest for WP&L to recover the costs of processing credit card payments in its operations and maintenance (O&M) budget.
4. A reasonable estimate of the cost of credit card processing fees to be included in account 903, customer records and collection expenses, is \$1,376,678, which is estimated to be \$1,142,642 for electric and \$234,035 for natural gas.
5. It is reasonable and in the public interest for WP&L to charge a one percent per month late fee, not to exceed 12 percent per annum, if a timely payment, within the 20-day payment window, is not made.
6. A reasonable estimate of revenue associated with late payment fees to be included in account 450 for electric is \$1,961,012 and account 487 for natural gas is \$412,464, for an estimated total of \$2,373,476.
7. As authorized in docket 6680-UR-121, WP&L will use escrow accounting for any over or under collection of credit card processing fees and late payment fees, subject to true-up in the next rate proceeding.

Conclusions of Law

1. The Commission has the authority to approve WP&L's proposed tariffs pursuant to Wis. Stat. §§ 196.02(1), 196.03(1), 196.19, 196.20, 196.395, 196.37, and 196.40.
2. WP&L's proposed late-payment charges of one percent per month for electric and natural gas customers are in accordance with Wis. Admin. Code §§ PSC 113.0406(1)(i) and PSC 134.13(1)(j).

3. The Commission may impose any term, condition, or requirement necessary to protect the public interest pursuant to Wis. Stat. §§ 196.02 and 196.395.

4. The Commission has authority under Wis. Stat. § 15.02(4) to delegate authority to approve tariff changes and allow recovery in base electric and natural gas rates for credit card processing fees to the Administrator for the Division of Energy Regulation, and in base water rates to the Administrator for the Division of Water, Telecommunications and Consumer Affairs provided that the tariff changes are substantially similar to the tariffs approved in this case.

Opinion

Credit Card Transaction Fees

In its applications, WP&L requested that transaction fees for processing credit card payments be recovered through rates in its O&M budget, rather than having fees paid directly by customers. WP&L stated that the recovery of credit card transaction fees through rates will provide an improved customer service experience and encourage regular payment of bills.

WP&L noted that it would be submitting the present applications in its Settlement Agreement in docket 6680-UR-121, which was a comprehensive rate settlement for the 2019, and 2020 test years. ([PSC REF#: 343249](#).) WP&L estimated that eliminating the direct charge of transaction fees to customers would cost WP&L \$1,100,000 per year for electric customers and \$200,000 per year for natural gas customers. The estimated amounts assume an increase in credit card payments from two percent of transactions to 12 percent. In docket 6680-UR-121, the Commission approved WP&L escrowing the O&M funds related to this policy change, subject to true-up of the expense in its next rate case, but at that time did not approve the tariff

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changes as they are the subject of the present applications. The escrow treatment provides protection to both customers and WP&L in the event actual costs vary from the estimates above.

At present, two percent of WP&L's customer payment transactions are credit card payments, which results in \$345,245 in fees that customers pay directly to third-party vendors. An increase of credit card payments to 12 percent of all WP&L customer payments would result in an estimated annual cost of \$1,376,678. This estimated cost is dependent on WP&L negotiating with its payment vendor for reduced fees.

A similar proposal was addressed in a prior WP&L rate case, docket 6680-UR-114. In that proceeding, CUB proposed including the costs of accepting credit card payments in rates to encourage bill payment and address issues related to customers at risk of disconnection. At that time, WP&L indicated that it accepted credit card payments as a convenience to customers, but believed that the costs associated with accepting these payments should be borne by the users. In the Final Decision in docket 6680-UR-114, dated July 29, 2005, the Commission did not approve CUB's proposal stating that "[i]t is reasonable that the costs associated with accepting credit card payments are born by the users." However, the Commission did require WP&L to file a tariff outlining its credit card acceptance policies and associated fees and seek the most cost-effective means for customers to use their credit cards.

In the present applications, WP&L indicated that since 2005 there have been significant changes in customer payment habits, and the economy's shift towards online, self-service payment methods. WP&L noted that to meet this customer demand, it is now requesting that credit card transaction fees be recovered through rates, similar to other payment methods. WP&L noted that the transaction costs of accepting all other forms of customer payments are

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recovered through rates. Accordingly, WP&L proposed to alter its tariff schedule Xr-5.1 to remove any language referencing transaction fees, and to add language referencing limitations imposed by third party payment vendors.

Wisconsin Stat. § 196.02(1) provides in relevant part that “[t]he charge made by any public utility for any heat, light, water, telecommunications service or power produced, transmitted, delivered or furnished or for any service rendered or to be rendered in connection therewith shall be reasonable and just and every unjust or unreasonable charge for such service is prohibited and declared unlawful.” In addition, Wis. Stat. § 196.20(1) provides, in part, that “[n]o change may be made by any public utility in its schedules except by filing the change as proposed with the commission.”

After due consideration of the robust record developed in this case, the Commission finds it reasonable for WP&L to recover the cost of credit card processing fees through its O&M budget, rather than as a direct charge to customers. Currently, the transaction and administrative costs to WP&L associated with accepting all other forms of payment are recovered through rates in the O&M budget. This includes the costs associated with checks, Automated Clearing House (ACH), and wire transfer payments. Historically, this also included payment sites inside WP&L’s brick-and-mortar offices. The projected costs for WP&L to recover credit card processing fees represent less than 0.2 percent of WP&L’s total O&M budget. Importantly, due to the expected increase in credit card usage due to eliminating the direct charge to customers, WP&L was able to negotiate with its credit card processing vendor a lower cost to process each payment.

The Commission agrees with WP&L that since it last considered this matter in 2005 there have been significant changes in customer payment habits, and the economy's shift towards online, self-service payment methods. The change in customer payments is supported by the information provided by Commission staff and the comments the Commission received on this matter, which indicate the expectation by customers that credit cards should be accepted by utilities without a separate processing charge at the time of payment.

One utility submitted comments against the proposal. The commenter was concerned about the potential for subsidization of the credit card processing fees by customers that pay via other means. The Commission appreciates the concern expressed by the commenter, however, the Commission finds that the lower processing fees negotiated by WP&L and the fact that the costs associated with accepting all other forms of payment are recovered through rates support approval of the tariff changes. Further, the Commission notes that it is not mandating at this time that all Wisconsin utilities accept credit card payments without charging processing fees. It is at the discretion of each utility to propose changes to its policies on credit card payments. If a utility seeks approval to recover credit card transaction fees in rates, it would apply for the change in its rate case application.

In its memorandum, Commission staff also noted that there may be some cross-subsidization of the fees between customer classes that could occur if a higher percentage of residential customers pay with credit cards compared to other customer classes. As such, Commission staff suggested that the Commission may want to require WP&L to track separately the actual fees by residential and non-residential customers. However, Commission staff noted that the projected costs represent less than 0.2 percent of WP&L's total O&M budget. In its

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comments, WP&L indicated that it did not believe this separate tracking was warranted as other payment processing costs are not separately tracked by rate class and the magnitude of the costs was not significant as a percentage of the O&M budget. The Commission finds that separate tracking of the credit card processing costs is not necessary at this time given the relatively small percentage of the O&M budget associated with the acceptance of such payments.

Delegation

In its memorandum, Commission staff noted that several other utilities have expressed interest in making similar tariff changes and to allow credit card processing costs to be recovered through utility rates. Commission staff suggested that the Commission may wish to delegate authority to future credit card transaction fee tariff changes to the Administrator of the Division of Energy Regulation for electric and natural gas requests and to the Administrator of the Division of Water, Telecommunications, and Consumer Affairs for water requests.

In the present case, the credit card processing fees are projected to represent less than 0.2 percent of WP&L O&M budget. However, the Commission has concerns that for some utilities these fees would have a more significant impact on utility budgets. Given the expressed interest of other utilities in adopting tariffs similar to WP&L's, the Commission finds it reasonable to delegate authority to approve tariff changes and allow recovery in base electric and natural gas rates for credit card transaction fees to the Administrator for the Division of Energy Regulation, and in base water rates to the Administrator for the Division of Water, Telecommunications and Consumer Affairs (collectively Division Administrators) provided that the tariff changes are substantially similar to the tariffs in this case. However, the Commission finds it appropriate to clarify that the anticipated costs associated with accepting credit card payments should be

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specifically reviewed by Commission staff in rate case applications where the changes are proposed. If there are concerns by Commission staff regarding the amount of fees associated with credit card payments or the efforts of the utility to negotiate lower fees, the Division Administrators are directed to provide such cases to the Commission for review.

As a condition of this delegation, the Division Administrators shall annually provide to the Commission an informational summary of the credit card fee tariffs approved pursuant to their delegated authority.

Late-payment Charges

WP&L also requested to implement late-payment charges of one percent per month for electric and natural gas customers in accordance with Wis. Admin. Code §§ PSC 113.0406(1)(i) and PSC 134.13(1)(j). Similar to the changes to credit card transaction fees, WP&L referenced this proposed change, and its plan to escrow this revenue in its application for a comprehensive rate settlement for the 2019 and 2020 test years in docket 6680-UR-121.

WP&L currently provides customers a 14-day payment window and does not charge a late fee. WP&L requested to revise this tariff to instead provide customers with a 20-day payment window, but charge a one percent per month late fee, not to exceed 12 percent per annum, if timely payment is not made. WP&L stated that this change will encourage regular bill payment, and estimates this will result in a 20 percent reduction in late payments. WP&L estimated this will result in \$2.0 million and \$2.4 million in revenue for electric customers, and \$0.4 million and \$0.5 million in revenue for natural gas customers in the 2019 and 2020 test years, respectively.

Currently, all other Wisconsin investor owned utilities (IOU) assess late payment fees. Wisconsin Admin. Code § PSC 134.13(1)(j) allows utilities to charge a monthly late payment fee for natural gas service so long as the charge is assessed no sooner than 20-days after the bill has been issued, and the late payment fee shall be no more than 1.5 percent per month. For electric service, Wis. Admin. Code § PSC 113.0406(1)(i) allows for a monthly late payment charge of no more than one percent per month, to be applied no sooner than 20-days after the bill has been issued. WP&L requested to adopt a one percent per month late payment fee for both natural gas and electric service.

WP&L's request to implement late fees, along with a 20-day payment window, would place WP&L in line with other major IOUs in Wisconsin. These late fees would be assessed on all customer accounts with a delinquent balance, and accounts with budget billing would be assessed late fees based on the fixed amount of their bills. Late fees would not be assessed on any account with a credit balance.

Therefore, the Commission finds it reasonable to authorize WP&L to implement the tariffs for late payment fees as filed.

Order

1. WP&L's credit card transaction fee tariff is approved.
2. WP&L shall record expenses for processing credit card fees in account 903, customer records and collection expenses.
3. WP&L's late payment fee tariff is approved.
4. WP&L shall record revenue from late payment fees in account 450 for electric and account 487 for natural gas.

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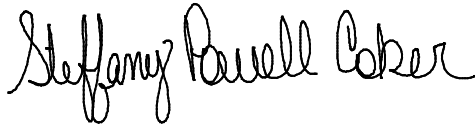
5. WP&L shall submit final tariff sheets for the revised credit card payment fees and late payment fees. The tariff changes shall take effect one day after the date of filing of the changes with the Commission.

6. This Final Decision is effective one day after the date of service.

7. Jurisdiction is retained.

Dated at Madison, Wisconsin, the 18th day of December, 2018

By the Commission:

A handwritten signature in black ink that reads "Steffany Powell Coker". The signature is written in a cursive, flowing style.

Steffany Powell Coker
Secretary to the Commission

SPC:JLH:jar:DL: 01658973

See attached Notice of Rights

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**NOTICE OF RIGHTS FOR REHEARING OR JUDICIAL REVIEW, THE
TIMES ALLOWED FOR EACH, AND THE IDENTIFICATION OF THE
PARTY TO BE NAMED AS RESPONDENT**

The following notice is served on you as part of the Commission's written decision. This general notice is for the purpose of ensuring compliance with Wis. Stat. § 227.48(2), and does not constitute a conclusion or admission that any particular party or person is necessarily aggrieved or that any particular decision or order is final or judicially reviewable.

PETITION FOR REHEARING

If this decision is an order following a contested case proceeding as defined in Wis. Stat. § 227.01(3), a person aggrieved by the decision has a right to petition the Commission for rehearing within 20 days of the date of service of this decision, as provided in Wis. Stat. § 227.49. The date of service is shown on the first page. If there is no date on the first page, the date of service is shown immediately above the signature line. The petition for rehearing must be filed with the Public Service Commission of Wisconsin and served on the parties. An appeal of this decision may also be taken directly to circuit court through the filing of a petition for judicial review. It is not necessary to first petition for rehearing.

PETITION FOR JUDICIAL REVIEW

A person aggrieved by this decision has a right to petition for judicial review as provided in Wis. Stat. § 227.53. In a contested case, the petition must be filed in circuit court and served upon the Public Service Commission of Wisconsin within 30 days of the date of service of this decision if there has been no petition for rehearing. If a timely petition for rehearing has been filed, the petition for judicial review must be filed within 30 days of the date of service of the order finally disposing of the petition for rehearing, or within 30 days after the final disposition of the petition for rehearing by operation of law pursuant to Wis. Stat. § 227.49(5), whichever is sooner. If an *untimely* petition for rehearing is filed, the 30-day period to petition for judicial review commences the date the Commission serves its original decision.¹ The Public Service Commission of Wisconsin must be named as respondent in the petition for judicial review.

If this decision is an order denying rehearing, a person aggrieved who wishes to appeal must seek judicial review rather than rehearing. A second petition for rehearing is not permitted.

Revised: March 27, 2013

¹ See *Currier v. Wisconsin Dep't of Revenue*, 2006 WI App 12, 288 Wis. 2d 693, 709 N.W.2d 520.

APPENDIX A

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